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**REMARKS****Claims Rejections – 35 USC § 102**

Claims 1, 2, 4, 7, 21, 26, 29, 30, 44, 48, 49, 53 and 55 were rejected under 35 USC 102(b) as being anticipated by Schad et al. (US 2,707,616). Such rejection is respectfully traversed for the reasons now following. Claim 1 has been amended to more clearly define the invention sought to be protected by it and not in response to any statutory requirement.

Schad et al. is directed towards water-collecting devices in which tubes are driven in star-like arrangement from a vertical shaft into water containing layers of earth, the tubes having either full or slotted walls (column 1, lines 16-19). While the vertical shaft is not shown, and is also not described, a person skilled in the art would nevertheless understand a shaft to mean a cylindrical piece of metal or the like.

The tubes comprise a boring-tube 3 and a soil removing tube 4, wherein the soil removing tube 4 is slidably mounted in the boring-tube 3 and guided in a bearing-ring 5 disposed at the end of boring-tube 3. A boring-head 1, which is equipped with a plurality of slots 2, extends with its rear end into the boring-tube 3 to which it is secured (column 2, lines 31-35). The boring head is divided into two separate chambers, an upper chamber 12 and a lower chamber 13. Depending upon the positioning of soil removing tube 4 up or down, water mixed with sand etc. will flow either in the upper chamber 12 (through upper slots 2), the lower chamber 13 (through lower slots 2), or both, and then through the soil removing tube 4 towards the shaft (not shown) (see column 2, lines 66-67).

Thus, Schad et al. discloses a method and apparatus for removing water mixed with sand etc. Schad et al. does not disclose a method, or an apparatus, for drilling a directional or horizontal wellbore. There is nothing in Schad et al. to suggest that any power medium (drilling medium) is being directed to the boring head 1 for operating the boring head to drill a hole. Further, there is no suggestion in Schad et al. that any power medium is even needed to operate the Schad et al. water collecting devices. Finally, it would be difficult to envision how drilling or power medium could be pumped through the vertical shaft and then be directed only to the outside of the soil removing tube 4, especially in view of the fact that the soil removing tube 4 is clearly in fluid communication with the vertical shaft.

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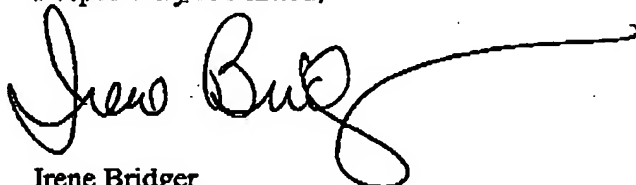
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The Examiner states that Schad et al. discloses "delivering drilling medium through the annulus (13) for operating the directional drilling means". However, element 13 of Schad et al. is not an annulus which is used to deliver power or drilling medium to operate a directional drilling means. Rather, element 13 is described in the patent as a lower chamber 13 of the boring-head 1, where when soil removing tube 4 is in the position shown in Fig. 2, water mixed with sand etc. enters the lower chamber 13 of the boring head 1 and is fed to the soil removing tube 4 (see column 3, lines 6-12).

In summary, Schad et al. does not disclose a *drilling medium delivering means for delivering drilling medium through one of said annulus or inner coiled tubing string for operating said directional drilling means* as claimed in independent claim 30, nor does it disclose the step of *delivering a drilling medium through one of said annulus or inner coiled tubing string for operating said directional drilling means* as claimed in independent claim 1.

In view of the arguments presented by Applicant herein, Applicant submits that claims 1, 2, 4, 7, 21, 26, 29, 30, 44, 48, 49, 53 and 55 are in a condition for allowance and such allowance is respectfully requested.

Respectfully submitted,



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